

Saudi's cash funds terrorism, U.S. says; Ex-Chicagoan's assets

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Chicago Tribune

October 28, 2001 Sunday
CHICAGOLAND FINAL EDITION

SECTION: NEWS; ZONE: C; Pg. 1

LENGTH: 2376 words

HEADLINE: Saudi's cash funds terrorism, U.S. says;
Ex-Chicagoan's assets are frozen

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BODY:

From a white-carpeted Jiddah office, 11 stories above the sun-spangled Red Sea, Yassin Kadi oversees a portfolio of business ventures and charitable projects that span the globe.

The Saudi's days are punctuated five times by prayer, and by racquetball matches with influential friends.

But over the past decade, U.S. officials say in court filings and Treasury Department reports, the tall, soft-spoken millionaire has patiently financed a web of terrorist organizations.

U.S. government reports allege that Kadi's money has stretched from Osama bin Laden's military camps to south suburban Bridgeview, where a cell of Hamas operatives recruited "martyrs" for their campaign against Israel.

This month the Treasury Department froze Kadi's assets, along with those of 38 other people, charities and firms said to support terrorism. As evidence, a U.S. government official cites a 1998 Saudi bank audit that allegedly shows Kadi's Blessed Relief charity funneled \$3 million to bin Laden, drawing the cash from some of that oil-rich country's wealthiest capitalists.

The bank and the influential Mahfouz family that founded it say no such audit exists, and Kadi said no transfer of money to bin Laden took place. Kadi has said he will take legal action to strike his name from the Treasury list, but he had not done so by Friday. In a letter to British treasury officials, Kadi's lawyers demanded proof of his links to terrorism after his accounts were frozen there.

Kadi's business partners include some of his country's most prominent business and civic leaders, and his standoff with Treasury has exacerbated American strains with Saudi Arabia, a vital component in the Bush administration's coalition against terrorism. Of the 19 hijackers who carried out the Sept. 11 attacks, U.S. officials say they have identified 14 as Saudi citizens.

By freezing Kadi's assets, and the assets of a Saudi based charity, U.S. intelligence is suggesting that bin Laden was backed not only by certain Saudi nationals, but also by Saudi wealth, a charge that angers residents there.

Kevin Taecker, a former financial attache to the U.S. Embassy in Riyadh who now consults for Saudi companies, said Kadi's inclusion on the list without a disclosure of evidence will drive Muslim entrepreneurs away from the United States. "Everybody else is suddenly afraid their names are going to pop up now," Taecker said.

"If a citizen in your country was accused of a crime and your government said, 'Sorry, we cannot tell you the basis of the charges because that is classified,' you would not accept it," said Jamal Khashoggi, deputy editor in chief of the Jiddah-based Arab News. "This is undemocratic and un-American."

Denies bin Laden connection

Kadi denies any connection to bin Laden. But during the past decade, as intelligence agencies worked to choke off the financing of terrorism, Kadi's finances repeatedly have come under scrutiny.

Saudi's cash funds terrorism, U.S. says; Ex-Chicagoan's assets

His extensive investment portfolio has ranged from a La Jolla, Calif.-based diamond company that runs three South African mines to a Saudi trading company that shipped medical equipment from Evanston. Kadi has endowed Pakistan's largest public hospital and a pathbreaking Saudi women's college.

He has advised some of the world's wealthiest dealmakers on the Islamic propriety of their far-flung ventures, according to a banker for one of Kadi's business partners. And he has helped the National Commercial Bank, Saudi Arabia's largest, develop Islamic financial instruments.

"We devised systems of leasing and ways to borrow money" that could be used by pious Muslims, who are not allowed to charge interest, Kadi told the Tribune.

Born to a successful Jiddah merchant family, Yassin Abdulla Azizuddin Kadi, which sometimes is spelled al-Qadi, earned a bachelor's degree in engineering. He lived on Lake Shore Drive from July 1979 to February 1981 when he worked as a student trainee for Skidmore, Owings & Merrill, the international architectural firm.

During the 1980s, Kadi returned to the city often as vice president of a family company, Jamjoom, that represented Evanston's American Hospital Supply in Saudi Arabia, among other clients. Kadi, 45, will not talk in detail about the many businesses he directed over the past two decades, a time when he widened the circle of international cities where he felt at home and cemented partnerships with Saudi Arabia's influential business houses.

Johann de Villiers, chairman of Global Diamond Resources, was struck by Kadi's self-assurance and intelligence.

De Villiers was introduced to Kadi in 1998 by a ranking executive of the Saudi bin Laden Group, a multinational consortium of businesses owned by the bin Laden family, which has cut its ties with Osama bin Laden.

Wearing subdued business suits in meetings in London and Dubai, Kadi spoke English with only a slight accent. He never mentioned politics, his charitable work or his time in the United States, de Villiers said. His focus was on business.

"Whenever he agreed to do anything, he did it," de Villiers said. "He was a man of his word."

Through New Diamond Corp. Limited, an offshore investment company he controls, Kadi took stakes in Global Diamond and another multinational gem company, but both have struggled financially. Kadi's \$3 million stake in Global Diamond has shrunk in value to just \$750,000 as the company's stock is trading at 8 cents a share.

Met bin Laden in 1980s

Kadi said he met Osama bin Laden at religious gatherings during the 1980s. But he said the encounters were unremarkable at a time when bin Laden's battle against the Soviets in Afghanistan attracted U.S. government support and donations from mosques around the United States. Kadi described himself as a man of peace whose business conduct and charitable donations bear out his support of values shared by Americans.

But the charity Kadi ran from 1992 to roughly 1997, drawing some \$15 million to \$20 million from his fortune and contributions from his wealthy colleagues, would be linked with bin Laden's Al Qaeda terrorist organization by U.S. investigators and overseas news reports.

With branch offices in central Europe, Pakistan, Sudan, Somalia and Ethiopia, among other places, Kadi's Blessed Relief charity said it distributed food, clothing and medical equipment to those suffering from famine or war.

A Treasury Department citation issued when Kadi's accounts were frozen earlier this month called Blessed Relief a bin Laden "front that receives funding from wealthy Saudi businessmen."

Blessed Relief, called Muwafaq in Arabic, has a puzzling history. During the early 1990s, it ostensibly was headquartered in the Channel Island of Jersey, in the offices of a local trust administration firm.

But Blessed Relief did no business from the island, according to Detective Inspector David Minty of the Island of Jersey Police, and the island-based trustee for the charity resigned two years after Blessed Relief was founded.

Kadi and several wealthy Saudi business partners also formed a for-profit investment company with the same name in the tax haven of the Isle of Man, according to records from the General Registry of that island.

The charity worked in countries and battlegrounds where bin Laden also was active, although it is unclear what relationship, if any, existed between Blessed Relief and Al Qaeda in those places.

Saudi's cash funds terrorism, U.S. says; Ex-Chicagoan's assets

In 1995, press reports circulated from Bosnia-Herzegovina that Blessed Relief was being used to fund the Muslim-led Bosnia fighters in their battle against Serbs and Croats.

Ayadi Chafiq bin Muhammad, the former head of Blessed Relief's mission in Zagreb, Croatia, also was placed on the Treasury list of bin Laden-linked people and firms released this month. Born in Tunisia, bin Muhammad, 38, was known under four aliases and had addresses in Germany, Belgium and Austria. He is believed to have left Britain shortly after the Sept. 11 attacks, and his whereabouts are unknown.

Raid at Pakistani office

Investigating possible links between Blessed Relief and terrorism, Pakistani police reportedly raided the charity's Islamabad office in 1995, after the arrest of Ramzi Yousef for the 1993 World Trade Center bombing in New York. According to press reports from Pakistan, the police held the charity's chief local officer in prison for several months before releasing him without charges. Blessed Relief closed soon after. The charity's Pakistan lawyer, Farrukh Karim Qureshi, declined to comment on the case.

In 1998, according to a senior U.S. official, the Saudi government audited the Jiddah-based National Commercial Bank and found that \$3 million in bank funds was funneled improperly to Blessed Relief, which allegedly transferred the money to bin Laden.

After the alleged audit, Saudi government agencies bought out Chairman Khalid bin Mahfouz's 50 percent ownership of the bank.

National Commercial Bank senior officials vehemently denied the existence of a government audit showing that money had been diverted to the charity and transferred to bin Laden.

"I can tell you absolutely, categorically there was no such audit," one bank executive said. "That never took place."

Bin Mahfouz family spokesman Cherif Sedky said in a written statement that the family never had supported terrorism in any way, and was "shocked and angered by the suggestion" that it had.

Kadi claimed he never heard of the affair until earlier this month, when asked about it by the Tribune.

"There is no \$3 million going to Osama bin Laden, never," Kadi said. "It isn't possible. I've never heard of this. Never."

Loan linked to Hamas

Unlike that of any other person on the Treasury Department list, an earlier part of Kadi's story spilled from classified reports into the public record of a 1998 federal lawsuit.

In 1991, Kadi loaned \$820,000 to the Quranic Literacy Institute, an Oak Lawn-based group formed to disseminate the Koran and Muslim texts. Kadi said he made the loan because of his friendship with the literacy institute's president, whom he met at a Sunday lecture in the Chicago area.

Kadi said the money was intended to allow the institute to make a land investment, which would yield profits that would support its charitable work.

The loan "was to open a peaceful dialogue between civilizations," he said. "The books we helped publish helped Americans understand Islam more."

But in a 1998 affidavit, the FBI alleges that Kadi's money was laundered through a DuPage County real estate deal to yield \$107,000 that went to a small band of U.S.-based Hamas activists.

Hamas, a 14-year-old militant Palestinian organization, funds West Bank medical clinics and Gaza Strip meal programs, while its Web site takes credit for a "glory record" of 85 attacks against Israeli citizens and soldiers.

Bridgeview connection

The man who allegedly distributed the Hamas money in the West Bank was Muhammad Salah, a Jerusalem-born used-car dealer and grocery clerk who had settled in Bridgeview.

In January 1993, Israeli police arrested Salah as he tried to cross a Gaza Strip checkpoint and held him for questioning for two months, then charged Salah with passing out more than \$100,000 to Hamas military cells in several West Bank and Gaza cities. Israeli authorities confiscated \$96,400 more from Salah's East Jerusalem YMCA hotel room.

Saudi's cash funds terrorism, U.S. says; Ex-Chicagoan's assets

Salah told Israel he knew nothing about Hamas military activity and was distributing cash as a humanitarian activity.

But in 1995, Salah pleaded guilty in an Israeli military court to aiding Hamas, and the U.S. Treasury Department added him to a list of specially designated terrorists. Three years later, after Salah returned to Bridgeview, the U.S. government filed an unprecedented civil forfeiture complaint to confiscate \$1.4 million in assets that belonged to Salah and the Quranic Literacy Institute. Included in that was money generated by Kadi's \$820,000 loan to the organization, court records show.

Says conviction tainted

Through his attorney, Salah says his criminal conviction in Israel should be disregarded, claiming it was based on fabricated evidence. Despite the forfeiture proceedings against him, he points out that he has not been charged with a crime in the United States. The Quranic Literacy Institute also denies all ties to terrorism.

Salah's alleged Hamas handler, Musa Abu Marzook, was arrested by U.S. authorities in 1995 to face extradition for allegedly overseeing 10 Hamas terrorist strikes from 1990 to 1994.

In extraditing Marzook, who ended up in Syria, U.S. District Court Judge Kevin Thomas Duffy cited a piece of evidence he found "especially damning"--a lengthy handwritten report Salah gave to Israeli agents he mistook for Hamas comrades while he was in jail.

From a pool of Palestinian applicants, Salah wrote, he culled 27 promising fighters and sorted them according to their expertise in chemical materials, toxins, physics, military education and knowledge of computers. Dropouts and misfits reduced his cadre to two men.

This small band met at Salah's Bridgeview home and accepted his plane tickets to Syria, where holy warriors hardened in Afghanistan taught them to make car bombs and throw grenades, according to Salah's statement and court papers filed by U.S. prosecutors.

To fund their activities, Salah used wire transfers totaling more than \$700,000 from Europe and the Middle East.

Loan's path murky

But while some of that money can clearly be traced to weapons purchases and assaults on Israelis, the course taken by Kadi's \$820,000 loan is harder to discern from the FBI affidavit and other court files. The real estate deal was marked by subterfuge and misleading records--no public documents indicate Kadi's role in financing the land deal, for example.

Kadi never made an effort to recover his money, leading prosecutors to express doubts that it was a charitable loan.

"Curiously, despite a manifestly large stake in the matter," neither Kadi nor his representatives ever filed a claim for the money, prosecutors said in court documents.

Kadi said he did not seek the return of his money because the institute subsequently asked to use it for a separate real estate deal, a church and school.

"It was for a holy project, a better place," Kadi said.

He said he has a written agreement with the institute on the project but declined to provide it.

WAR ON TERROR. THE MONEY TRAIL.

LOAD-DATE: October 28, 2001